

HB 5025 BUDGET REPORT and MEASURE SUMMARY

Joint Committee On Ways and Means

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Oregon Business Development Department

2017-19

PRELIMINARY

Budget Summary*

	2015-17	2017-19	2017-19	Committee Change from	
	Legislatively Approved Budget ⁽¹⁾	Current Service Level	Committee Recommendation	2015-17 Leg. Approved	
				\$ Change	% Change
General Fund	\$ 5,106,623	\$ 7,710,539	\$ 7,323,231	\$ 2,216,608	43.4%
General Fund Debt Service	\$ 11,412,400	\$ 40,625,560	\$ 40,625,560	\$ 29,213,160	256.0%
Lottery Funds	\$ 68,193,524	\$ 66,126,843	\$ 66,462,151	\$ (1,731,373)	(2.5%)
Lottery Funds Debt Service	\$ 45,114,206	\$ 51,171,865	\$ 51,171,865	\$ 6,057,659	13.4%
Other Funds Limited	\$ 296,755,855	\$ 225,742,435	\$ 227,242,814	\$ (69,513,041)	(23.4%)
Other Funds Debt Service Limited	\$ 1,730,500	\$ -	\$ -	\$ (1,730,500)	(100.0%)
Other Funds Nonlimited	\$ 195,773,804	\$ 170,754,585	\$ 170,754,585	\$ (25,019,219)	(12.8%)
Other Funds Debt Service Nonlimited	\$ 37,327,661	\$ 37,131,696	\$ 37,131,696	\$ (195,965)	(0.5%)
Federal Funds Limited	\$ 40,523,014	\$ 40,730,835	\$ 40,730,835	\$ 207,821	0.5%
Total	\$ 701,937,587	\$ 639,994,358	\$ 641,442,737	\$ (60,494,850)	(8.6%)

Position Summary

Authorized Positions	140	138	136	(4)
Full-time Equivalent (FTE) positions	136.32	136.00	134.50	(1.82)

⁽¹⁾ Includes adjustments through December 2016

* Excludes Capital Construction expenditures

Summary of Revenue Changes

The main source of discretionary revenue for the programs and operations of the Oregon Business Development Department (Business Oregon) is Lottery Funds. The department receives General Fund support to finance the Arts Commission, administer certain energy finance programs, and to make General Obligation Debt Service payments. Other Funds revenue, in the upcoming biennia, include loan repayments of approximately \$78.1 million, interest income of \$31.2 million, donations of \$10.3 million, charges for services of \$0.9 million and other miscellaneous revenue. Other Funds are expended under both Limited and Nonlimited expenditure authority. Nonlimited expenditure authority is used for bond-related and revolving loan fund expenditures.

The Community Development Block Grant is the largest source of Federal Funds the department receives on a regular basis and provides support for programs in the Infrastructure Finance Authority. Federal Funds also support the Brownfields program and the State Small Business Credit Initiative Grant. The department typically receives other small grants throughout the biennium.

Lottery Funds allocations are not approved in Senate Bill 5525, but are included in the statewide Lottery Allocation Bill (House Bill 5029).

Summary of Transportation and Economic Development Subcommittee Action

The Oregon Business Development Department's mission is to support the creation, retention, expansion and attraction of businesses to provide sustainable, living-wage jobs for Oregonians. The agency promotes economic development through public-private partnerships, leveraged funding and support of economic opportunities for Oregon companies and entrepreneurs.

The Transportation and Economic Development Subcommittee approved a budget of \$641,442,737 total funds and 136 positions (134.50 FTE). The total funds budget includes \$47,948,791 General Fund, \$117,634,016 Lottery Funds expenditure limitation, \$227,242,814 Other Funds expenditure limitation, \$40,730,835 Federal Funds expenditure limitation and \$207,886,281 Other Funds Nonlimited. The Subcommittee's approved budget represents an 8.6 decrease from the agency's 2015-17 Legislatively Approved Budget.

The recommendations of the Subcommittee do not address the department's bond requests. The Joint Committee on Ways and Means Capital Construction Subcommittee is reviewing bond requests and will include any budget adjustments related to bond-supported programs in bond authorization bills and in the end-of-session budget reconciliation bill.

Operations

The Operations Division contains the Director's Office and provides central services and oversight for the agency. The Subcommittee recommended a total funds budget of \$9,414,606, including 32 positions (32.00 FTE). This is a 1.6 percent increase from the division's 2015-17 Legislatively Approved Budget.

The Subcommittee recommended approval of Package 801, LFO Analyst Adjustments. This package reduces Lottery Funds limitation by \$81,570 by the downward reclassification of one Principal Executive Manager D position to an Information Systems Specialist 6 and by reducing Services and Supplies funding.

The Subcommittee recommended approval of Package 802, Technical and Revenue Adjustments. This package adjusts Lottery Funds revenues to account for updated projections of Lottery beginning balances and the reversion of uncommitted 2015-17 balances to the Administrative Services Economic Development Fund. The package increases Lottery Funds beginning balances by \$208,921, decreases Other Funds beginning balances by \$217,921 and creates a Lottery Funds reversion to the Department of Administrative Services of \$179,511.

Business, Innovation, Trade

The Business, Innovation, Trade Division promotes business retention, growth and job creation through multiple programs and services. Business retention and recruitment are an area of focus for this division. The division also promotes access to capital through loans, credit guarantees and direct investments through the Oregon Growth Board. In addition, the division promotes exports by Oregon businesses through trade missions, the attraction of foreign direct investment and the promotion of exports for small and medium sized businesses. Finally, the division funds a variety of initiatives aimed at encouraging research and development and entrepreneurship, many of which work with the

university system. The Subcommittee recommended a total funds budget of \$89,160,787, including 56 positions (55.00 FTE). This is a 0.6 percent decrease from the division's 2015-17 Legislatively Approved Budget.

The Subcommittee recommended approval of Package 101, BIT REDI. This package increases Lottery Funds limitation by \$750,000 for the Rural Opportunities Initiative, a grant program for rural communities to improve access to training and technical assistance resources for entrepreneurs. The funding will be used to establish a grant program providing 2- to 4-year funding for rural centers for entrepreneurship. The centers are expected to become self-sufficient. The strategy builds on a pilot project from 2015-17 and there is demand for additional work in this area.

The Subcommittee recommended approval of Package 104, BIT COBID. This package increases Other Funds limitation by \$441,097 and two permanent full-time positions to allow the Certification Office for Business Inclusion and Diversity to respond to Legislative mandates and the recommendations of a task force. These positions will focus on reducing opportunities for fraud and on implementing the Service-Disabled Veteran Certification program.

The Subcommittee recommended approval of Package 108, BIT Solar Incentivization. This package increases the General Fund appropriation by \$219,995 and one permanent, full-time position to administer the Solar Incentivization Program established in the 2016 Legislative Session. The associated work will continue through the end of the program in 2023. The position will be tracking enrollment in the program and the amount of power generated, as well as administering payments.

The Subcommittee recommended approval of Package 801, LFO Analyst Adjustments. This package reduces Lottery Funds limitation by \$3,468,849 and one position (0.50 FTE) in order to balance to statewide General Fund and Lottery Funds constraints. The package includes a reduction of \$2,839,630 Lottery Funds limitation for the Strategic Reserve Fund, \$400,000 Lottery Funds limitation for the Oregon Innovation Council (Oregon InC) and a reduction of \$229,219 Lottery Funds limitation associated with the elimination of one half-time (0.50 FTE) position and associated Services and Supplies. The reductions to the Strategic Reserve Fund are partially offset by an increase of \$800,000 Other Funds limitation to recognize beginning balances available to the fund. The reductions support new Strategic Reserve Fund awards of approximately \$10.0 million and Oregon InC funds at approximately \$18.2 million, in the 2017-19 biennium.

The Subcommittee recommended approval of Package 802, Technical and Revenue Adjustments. This package adjusts Lottery Funds revenues to account for updated projections of revenues, beginning balances and the reversion of uncommitted 2015-17 balances to the Administrative Services Economic Development Fund. The package increases Lottery Funds beginning balances by \$6,422,170, increases Other Funds beginning balances by \$1,263,333, reduces Other Funds Nonlimited beginning balances by \$7,360,902, reduces Federal Funds beginning balances by \$4,894,304, and creates a Lottery Funds reversion to the Department of Administrative Services of \$3,230,382. Finally, the package reduces Other Funds Nonlimited Rent and Royalties revenues by \$400,000, Other Funds Nonlimited charges for services by \$150,000 and Other Funds charges for services by \$400,000, to reflect recent trends in actual revenues.

The Subcommittee recommended approval of Package 803, Program Enhancements. This package provides \$4.1 million of Lottery Funds limitation to support three programs:

- \$2.0 million Lottery Funds for the Oregon Manufacturing Innovation Center (OMIC), a collaboration between business, academic, and government partners in Columbia County to enhance innovation and competitiveness in the metals manufacturing and advanced manufacturing sectors. The funding provided in this package increases total Lottery Funds support for OMIC operations in the agency budget to \$3.6 million.
- \$1.6 million Lottery Funds for additional support for the Oregon Small Business Development Center (SBDC) Network. The funding provided in this package increases total Lottery Funds support for SBDCs to \$4.26 million.
- \$500,000 for support of the Regional Accelerator and Innovation Network, which supports entrepreneurship and development of start-up businesses in the South Willamette Valley and Mid-Coast regions.

The Subcommittee recommended approval of Package 812, Vacant Position Elimination. This package reduces Lottery Funds limitation by \$704,259 and eliminates three positions (2.50 FTE), including a full-time Program Analyst 3 position, a full-time Program Analyst 4 position and one half-time vacant position and related Services and Supplies associated with administration of the Farm Loan Program. The agency will continue to operate the program after the elimination of the position.

Infrastructure Finance Authority

The Infrastructure Finance Authority (IFA) assists communities in building and maintaining critical infrastructure through low-cost financing, grants, technical assistance, and capacity building. The IFA has dedicated funding sources for municipal infrastructure, water and wastewater facilities that ensure compliance with federal law, seismic rehabilitation for schools and emergency facilities, port and airport facilities, levee improvements, marine navigation improvements, and other facilities that support economic and community development. The Subcommittee recommended a total funds budget of \$433,715,968, including 37 positions (37.00 FTE). This is a 17.3 percent decrease from the division's 2015-17 Legislatively Approved Budget.

The Subcommittee recommended approval of Package 801, LFO Analyst Adjustments. This package reduces Lottery Funds limitation by \$260,014, in order to balance to statewide General Fund and Lottery Funds constraints. The package eliminates one full-time Operations and Policy Analyst 4 position (1.00 FTE) in the Industrial Lands Program and funding for program related Services and Supplies.

The Subcommittee recommended approval of Package 802, Technical and Revenue Adjustments. This package updates forecasts of Other Funds limitation and Other Funds Nonlimited beginning balances and revenues. The package increases Other Funds beginning balances by \$526,471,

increases Other Funds Nonlimited beginning balances by \$3,201,331, reduces Other Funds Nonlimited Interest Income revenues by \$295,961, increases Other Funds Interest Income by \$24,685, and reduces Other Funds Other Revenues by \$21,489.

Oregon Film and Video Office

The Oregon Film and Video Office is a semi-independent agency designed to recruit and facilitate film and television production throughout the state. The Subcommittee recommended a total funds budget of \$1,207,545, which does not include any positions. This is a 3.7 percent increase from the division's 2015-17 Legislatively Approved Budget. The Subcommittee did not recommend any changes from current service level.

Arts Division

The mission of the Arts Division is to increase access to culture for all Oregonians, to promote the talent of Oregon's youth and to play a role in job creation and retention. The Arts Division of the agency includes both the Arts Commission, which develops statewide policy and provides services to arts organizations, artists and communities, and the Cultural Trust, which promotes Oregon's arts, humanities, heritage, preservation and history. The Subcommittee recommended a total funds budget of \$16,146,406, including 11 positions (10.50 FTE). This is a 16.1 percent decrease from the division's 2015-17 Legislatively Approved Budget.

The Subcommittee recommended approval of Package 801, LFO Analyst Adjustments. The package reduces General Fund appropriations by \$607,303 in order to balance to statewide General Fund and Lottery Funds constraints.

- The package reduces General Fund support for grants by \$524,869. This represents a 10 percent reduction in total funding for Arts Commission grants.
- The package shifts funding for the Arts Division Director and Assistant Director positions from 100 percent General Fund to 50 percent General Fund / 50 percent Other Funds to reflect the administrative responsibilities for both the Arts Commission and the Cultural Trust programs. This reduces the General Fund by \$259,282 and increases Other Funds limitation by the same amount.
- The package reduces the General Fund appropriation by \$82,434 to reflect the reduction of one full-time Executive Assistant position to a half-time (0.50 FTE) position.
- The package increases the General Fund appropriation for Services and Supplies by \$259,282, to adjust budget expenditure categories to better reflect spending patterns.

The Subcommittee recommended approval of Package 802, Technical and Revenue Adjustments. This package updates forecasts of Other Funds beginning balances, increasing Other Funds beginning balances by \$304,254.

Lottery and General Obligation Bond Debt Service

The Lottery and General Obligation Bond Debt Service program is used to track the payment of Lottery and General Obligation Debt Service, including both principal and interest payments. The Subcommittee recommended a total funds budget of \$91,797,425 and does not include positions or FTE. This is a 57.6 percent increase from the division's 2015-17 Legislatively Approved Budget and represents no change from the current service level.

Summary of Performance Measure Action

See attached Legislatively Adopted 2017-19 Key Performance Measures form.

DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

Oregon Business Development Department
Patrick Heath - 503-378-3742

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
2015-17 Legislatively Approved Budget at Dec 2016 *	\$ 16,519,023	\$ 113,307,730	\$ 298,486,355	\$ 233,101,465	\$ 40,523,014	\$ -	\$ 701,937,587	140	136.62
2017-19 Current Service Level (CSL)*	\$ 48,336,099	\$ 117,298,708	\$ 225,742,435	\$ 207,886,281	\$ 40,730,835	\$ -	\$ 639,994,358	138	136.00
SUBCOMMITTEE ADJUSTMENTS (from CSL)									
SCR 110 - Operations									
Package 801: LFO Analyst Adjustments									
Personal Services	\$ -	\$ (38,884)	\$ -	\$ -	\$ -	\$ -	\$ (38,884)	0	0.00
Services and Supplies	\$ -	\$ (42,686)	\$ -	\$ -	\$ -	\$ -	\$ (42,686)		
SCR 210 - Business, Innovation, Trade									
Package 101: BIT REDI									
Special Payments (Dist. to Non-Gov't Units)	\$ -	\$ 750,000	\$ -	\$ -	\$ -	\$ -	\$ 750,000		
Package 104: BIT COBID									
Personal Services	\$ -	\$ -	\$ 360,497	\$ -	\$ -	\$ -	\$ 360,497	2	2.00
Services and Supplies	\$ -	\$ -	\$ 80,600	\$ -	\$ -	\$ -	\$ 80,600		
Package 108: BIT Solar Incentivization									
Personal Services	\$ 202,895	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 202,895	1	1.00
Services and Supplies	\$ 17,100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,100		
Package 801: LFO Analyst Adjustments									
Personal Services	\$ -	\$ (135,422)	\$ -	\$ -	\$ -	\$ -	\$ (135,422)	(1)	(0.50)
Services and Supplies	\$ -	\$ (93,797)	\$ -	\$ -	\$ -	\$ -	\$ (93,797)		
Special Payments (Dist. to Non-Gov't Units)	\$ -	\$ (2,839,630)	\$ 800,000	\$ -	\$ -	\$ -	\$ (2,039,630)		
Special Payments (Dist. to Non-Profit Organizations)	\$ -	\$ (400,000)	\$ -	\$ -	\$ -	\$ -	\$ (400,000)		
Package 803: Program Enhancements									
Special Payments	\$ -	\$ 4,100,000	\$ -	\$ -	\$ -	\$ -	\$ 4,100,000		
Package 812: Vacant Position Elimination									
Personal Services	\$ -	\$ (663,059)	\$ -	\$ -	\$ -	\$ -	\$ (663,059)	(3)	(2.50)
Services and Supplies	\$ -	\$ (41,200)	\$ -	\$ -	\$ -	\$ -	\$ (41,200)		
SCR 300 - Infrastructure									
Package 801: LFO Analyst Adjustments									
Personal Services	\$ -	\$ (251,614)	\$ -	\$ -	\$ -	\$ -	\$ (251,614)	(1)	(1.00)
Services and Supplies	\$ -	\$ (8,400)	\$ -	\$ -	\$ -	\$ -	\$ (8,400)		
SCR 600 - Arts									
Package 801: LFO Analyst Adjustments									
Personal Services	\$ (341,716)	\$ -	\$ 259,282	\$ -	\$ -	\$ -	\$ (82,434)	0	(0.50)
Services and Supplies	\$ 259,282	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 259,282		
Special Payments	\$ (524,869)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (524,869)		
TOTAL ADJUSTMENTS	\$ (387,308)	\$ 335,308	\$ 1,500,379	\$ -	\$ -	\$ -	\$ 1,448,379	(2)	(1.50)
SUBCOMMITTEE RECOMMENDATION *	\$ 47,948,791	\$ 117,634,016	\$ 227,242,814	\$ 207,886,281	\$ 40,730,835	\$ -	\$ 641,442,737	136	134.50
% Change from 2015-17 Leg Approved Budget	190.3%	3.8%	(23.9%)	(10.8%)	0.5%	0.0%	(8.6%)	(2.9%)	(1.6%)
% Change from 2017-19 Current Service Level	(0.8%)	0.3%	0.7%	0.0%	0.0%	0.0%	0.2%	(1.4%)	(1.1%)

*Excludes Capital Construction Expenditures

Legislatively Approved 2017 - 2019 Key Performance Measures

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Agency: Business Oregon

Mission Statement:

Business Oregon works to create, retain, expand and attract businesses that provide sustainable, living-wage jobs for Oregonians through public-private partnerships, leveraged funding and support of economic opportunities for Oregon companies and entrepreneurs.

Legislatively Approved KPMs	Metrics	Agency Request	Last Reported Result	Target 2018	Target 2019
1. Number of jobs created		Approved	1,482	1,900	1,900
2. Number of jobs retained		Approved	6,016	5,600	5,600
3. Personal income tax generated by the Department's investment in jobs		Approved	\$25,800,000.00	\$20,300,000.00	\$23,000,000.00
4. New export sales of assisted clients		Approved	\$47,125,000.00	\$47,800,000.00	\$47,800,000.00
5. b. Number of federal contracts awarded to Oregon businesses receiving Government Contract Assistance Program assistance.		Approved	325	200	200
5. a. Total dollar amount of federal contracts awarded to Oregon Businesses receiving Government Contract Assistance Program assistance.		Approved	\$76,035,795.00	\$76,000,000.00	\$76,000,000.00
6. Number of new industrial sites/acres certified "project ready."		Approved	1	1	1
7. Number of community capital projects assisted for planning (infrastructure, community and organizational).		Approved	41	37	37
8. Number of community capital construction financing projects that address public health and safety issues.		Approved	41	40	40
9. Number of community capital construction financing projects that assist with future economic and community development.		Approved	15	25	25
10. Customer Service - Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, availability of information.	Helpfulness	Approved	84%	90%	90%
	Expertise		89%	90%	90%
	Overall		81%	90%	90%
	Accuracy		87%	90%	90%
	Timeliness		82%	90%	90%
	Availability of Information		76%	90%	90%

LFO Recommendation:

Approve the Key Performance Measures, and the Key Performance Measure targets, identified in the above table.

SubCommittee Action:

The Subcommittee approved the LFO recommendation.